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IN-DEPTH REVIEW OF
INDIAN TRUST FUND MANAGEMENT

PRESENTATION TO THE
DEPARTMENT OF THE INTERIOR

February 1, 1984

In-depth Review of Indian Trust Funds

- o Investment performance has exceeded the performance of comparable professionally managed funds.
- o Continuity of performance has not been assured.
- o Tribal accounts are too numerous for management as distinct portfolios.
- o Accounting and financial management systems are designed to support BIA operations, not the management of trust funds.
- o Control procedures are inadequate to protect trust fund assets.
- o Opportunities exist to increase income through improved cash management.

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INVESTMENT PERFORMANCE HAS EXCEEDED THE PERFORMANCE OF
COMPARABLE, PROFESSIONALLY MANAGED FUNDS

- o Enhance trust fund performance reporting

CONTINUITY OF INVESTMENT PERFORMANCE HAS NOT BEEN ASSURED

- o Establish an investment policy oversight committee with private sector representation
- o Obtain external investment management services under an advisory arrangement
- o Seek authorization to enter into a discretionary account arrangement with an investment advisory firm

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TRIBAL ACCOUNTS ARE TOO NUMEROUS FOR MANAGEMENT AS DISTINCT
PORTFOLIOS

- o Pool the tribal trust fund for investment purposes
- o Establish alternative portfolios that meet distinct objectives for Indian Trust Funds
- o Allow tribes and individuals to make proportional assignments of funds among portfolios
- o Provide assistance through investment coordinators to tribes in setting investment objectives and selecting among portfolio alternatives
- o Provide assistance to individuals through Agency Office staff in selecting among alternative portfolios

ACCOUNTING AND FINANCIAL MANAGEMENT SYSTEMS ARE DESIGNED TO
SUPPORT BIA OPERATIONS, NOT THE MANAGEMENT OF TRUST FUNDS

- o Establish the position of Cash Management Officer
- o Establish the position of Trust Fund Accounting Officer
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- o Produce internal daily deployment of assets report and cash position report to support portfolio management
- o Improve accounting systems using purchased services
 - Implement trust accounting system
 - Implement IIM system
 - Implement income tracking system
- o Make accounting policies current

CONTROL PROCEDURES ARE INADEQUATE TO PROTECT TRUST FUND ASSETS

- o Request that the Office of the Inspector General perform a financial audit of Indian Trust Fund Assets
- o Segregate security custody and the investment function
- o Impose appropriate controls over cash handling
- o Separate the portfolio management function from the transaction execution function, retaining both functions within the Branch of Investments

OPPORTUNITIES EXIST TO INCREASE INCOME THROUGH IMPROVED CASH
MANAGEMENT

- o Employ a deposit reporting service
- o Establish local depositary arrangements or accounts in commercial banks
- o Employ a balance reporting service
- o Standardize contracts requiring the use of Electronic Funds Transfer
- o Require Agency Offices to deposit over-the-counter receipts in a local bank for wire transfer to the treasury or concentration bank
- o Shift disbursement accounts from the treasury to the concentration bank